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LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL
FINANCIAL REPORT
OCTOBER 31, 2000

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-1-01

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To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

We have audited the accompanying balance sheet of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of October 31, 2000, and the related statements of revenue and expenses, changes in fund balance, and cash flows for the year then ended. These component unit financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of October 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

The component unit financial statements of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital have been prepared assuming that the District will continue as a going concern. As discussed in Note 15, the District has incurred losses and has a deficit fund balance. These conditions raise substantial doubt about the District's ability to continue as a going concern. Management's plans as to these matters are also discussed in Note 15. The component unit financial statements do not include any adjustments to reflect the possible future effects on the recoverability of assets or the amounts of liabilities that may result from the possible inability of the District to continue as a going concern.

Retired:

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James H. Breaux, CPA 1987

Erma R. Walton, CPA 1988

George A. Lewis, CPA* 1992

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To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2001, on our consideration of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Broussard, Pochi, Lewis & Breaux L.L.P.

Crowley, Louisiana
February 27, 2001

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

BALANCE SHEET
October 31, 2000

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 92,312
Patient accounts receivable, net of allowance for estimated contractual adjustments and uncollectible accounts of \$1,617,155	429,747
Prepaid expenses	3,000
Other receivables	328,295
Inventories	<u>4,320</u>
Total current assets	\$ 857,674

RESTRICTED ASSETS

Cash and cash equivalents	12,024
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FIXED ASSETS

Property, plant, and equipment, at cost, less accumulated depreciation of \$3,531,749	<u>2,131,014</u>
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Total Assets	<u>\$ 3,000,712</u>
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LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Accounts payable	\$ 1,616,009
Accrued expenses	4,135
Third-party payor settlements	10,038,364
Notes payable	<u>51,723</u>

Total current liabilities	\$ 11,710,231
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LONG-TERM LIABILITIES

Notes payable	<u>172,043</u>
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Total liabilities	<u>\$ 11,882,274</u>
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FUND BALANCE

Unrestricted (deficit)	\$ (8,893,586)
Restricted	<u>12,024</u>

Total fund balance	<u>\$ (8,881,562)</u>
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Total liabilities and fund balance	<u>\$ 3,000,712</u>
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See Notes to Financial Statements

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF REVENUES AND EXPENSES
Year Ended October 31, 2000

Operating revenue:		
Net patient service revenue		\$ 4,349,449
Ad valorem taxes		1,060,547
Other operating revenue		<u>74,046</u>
Total operating revenue		\$ 5,484,042
Operating expenses:		
Salaries and FICA	\$ 2,530,558	
Professional fees	494,419	
Contract services	477,813	
Operating expenses	1,859,236	
Interest expense	169,799	
Depreciation and amortization	266,634	
Provision for uncollectible accounts	<u>690,489</u>	
Total operating expenses		<u>6,488,948</u>
Operating loss		\$ (1,004,906)
Non-operating revenue		
Interest income		<u>12,612</u>
Deficiency of revenues over expenses before extraordinary item		\$ (992,294)
Extraordinary gain		<u>8,839</u>
Deficiency of revenues over expenses		<u>\$ (983,455)</u>

See Notes to Financial Statements.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CHANGES IN FUND BALANCE
Year Ended October 31, 2000

	<u>Unrestricted</u>	<u>Restricted</u>
Fund balance (deficit), October 31, 1999	\$ (7,910,994)	\$ 12,887
Amount expended from grant		(863)
Deficiency of revenues over expenses	<u>(982,592)</u>	<u> </u>
Fund balance (deficit), October 31, 2000	<u>\$ (8,893,586)</u>	<u>\$ 12,024</u>

See Notes to Financial Statements

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS
Year Ended October 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating loss	\$ (1,004,906)
Interest expense considered capital financing activity	25,489
Ad valorem taxes considered financing activity	(1,060,547)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation and amortization	266,634
Provision for bad debts	690,489
Extraordinary items	919
(Increase) decrease in assets:	
Patient accounts receivable	(197,672)
Prepaid expenses	180,970
Other receivables	(297,762)
Inventories	136,541
Increase (decrease) in liabilities:	
Accounts payable	603,975
Accrued expenses	(151,523)
Third party-payor settlements	<u>(255,403)</u>

Net cash used in operating activities \$ (1,062,796)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Ad valorem taxes	\$ 1,060,547
Interest income	<u>12,612</u>

Net cash provided by noncapital financing activities \$ 1,073,159

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal payments under capital lease obligations	\$ (11,670)
Principal payments for insurance financing	(162,753)
Principal payments for bonds payable	(160,034)
Principal payments for notes payable	(49,144)
Interest paid on financing activities	<u>(25,489)</u>

Net cash used by capital and related financing activities \$ (409,090)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	\$ <u>(4,985)</u>
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Net decrease in cash and cash equivalents
(total forward) \$ (403,712)

(continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended October 31, 2000

Net decrease in cash and cash equivalents (total forwarded)	\$ (403,712)
Cash and cash equivalents, beginning of year	<u>508,048</u>
Cash and cash equivalents, end of year	<u>\$ 104,336</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents in current assets	\$ 92,312
Cash and cash equivalents in restricted assets	<u>12,024</u>
Total cash and cash equivalents	<u>\$ 104,336</u>

NONCASH FINANCING AND INVESTING ACTIVITIES:

The Hospital Service District had a noncash financing transactions relating to insurance financing of \$138,342.

The Hospital Service District had a noncash transaction of \$124,511, relating to insurance financing which was assumed by the independent management company which leased the hospital operations of the District.

The Hospital Service District had a noncash transaction of \$7,920, relating to capital lease obligations which were assumed by the independent management company which leased the hospital operations of the District.

The Hospital Service District had a noncash transaction of \$118,035, relating to telemedicine equipment.

See Notes to Financial Statements.

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LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Organization and Summary of Significant Accounting Policies

The following is a summary of the Service District's significant accounting policies:

Organization:

The Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital (the "District"), was established by the Cameron Parish Police Jury on July 15, 1959, by virtue of the authority of L.R.S. 46:1051 et seq. The purpose of the District is to provide health services to lower Cameron Parish. The District operates a 34 bed acute care hospital in Creole, Louisiana, and a 15 bed remote campus in Lake Charles, Louisiana. Construction of the hospital was financed through a bond issue, Hill Burton Funding, and local contributions. The District's Board is appointed by the Cameron Parish Policy Jury. On February 18, 2000, the hospital entered into a management agreement with an independent management company, which assumed management of all hospital operations. On September 28, 2000, the District entered into a lease agreement with the above mentioned independent management company to assume all hospital operations.

For reporting purposes, the Hospital is a component unit of the Cameron Parish Police Jury. The accompanying component unit financial statement presents information only on Lower Cameron Hospital Service District and its components and does not present information on the Cameron Parish Police Jury and the general government services provided by that body. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationships with the District.

Individual component unit disclosures:

Blended component unit. Although it is legally separate from the District, the Lower Cameron Hospital Ambulance Service District is reported as if it were part of the District because of the following reason: In 1988, the District entered into an agreement with the Lower Cameron Hospital Ambulance Service District whereby the District would provide monthly accounting services, including the collecting and disbursing of funds as well as the billing for the Ambulance Service District.

Blended component unit. Although legally separate from the District, the Cameron Parish Ambulance Service District No. 2 is reported as if it were part of the District for the following reasons: on November 1, 1997, the District also entered into an intergovernmental agency agreement with Cameron Parish Ambulance Service District No. 2. The agreement states that the District shall manage and operate the equipment and facilities of the Ambulance Service District as well as provide ambulance services to the members of the Ambulance Service District. The term of the agreement is effective for a sixty-month period ending on November 1, 2002, at which time it shall be automatically renewed for successive one-year periods, unless the District or the Ambulance District terminates the agreement. On February 3, 2000, the District's Board adopted a resolution to terminate the intergovernmental agency agreement with Cameron Parish Ambulance District No. 2 effective no later than December 31, 2000. On September 28, 2000, the District entered into an agreement with an independent management company, where it would continue to provide ambulance service as a hospital outpatient service at its current levels until December 1, 2000.

Net patient revenue:

Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

NOTES TO FINANCIAL STATEMENTS

Inventories:

Inventories are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

Property, plant, and equipment:

Property, plant, and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of each class of depreciable assets. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment.

Proprietary fund accounting:

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allowance for uncollectible accounts:

The District uses the allowance method of recognizing the cost for bad debts. This method provides an estimate of the loss that is applicable to current year revenue, and any adjustment in previous estimates of prior year losses that may be applicable to accounts still remaining on the books.

Cash and cash equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Advertising

The District expenses the production costs of advertising the first time the advertising takes place. During the year ended October 31, 2000, the District expensed \$4,574 in advertising.

Environmental Matters

The District is subject to laws and regulations relating to the protection of the environment. The District's policy is to accrue environmental and cleanup related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty, the potential financial impact of the District's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the District. At October 31, 2000, management is not aware of any liability resulting from environmental matters.

NOTES TO FINANCIAL STATEMENTS

Note 2. Net Patient Service Revenues

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

•**Medicare** - Inpatient acute care services (and related capital costs) rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. Acute care service rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient psychiatric services and certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology, while other outpatient services are reimbursed on a fee schedule. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 1998.

As a result of retroactive adjustments of certain prior year Medicare cost reports, the District recorded changes in estimates resulting in an increase in net patient service revenues of approximately \$724,678, during the year ending October 31, 2000.

•**Medicaid** - Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The District is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 1998.

As a result of retroactive adjustments of certain prior year Medicaid Uncompensated cost reports, the District recorded changes in estimates resulting in a decrease in net patient service revenues of approximately \$253,764, during the year ending October 31, 2000.

During the year ended October 31, 2000, approximately 77.8% of the District's gross patient service revenues were furnished to Medicare and Medicaid beneficiaries. The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates.

NOTES TO FINANCIAL STATEMENTS

Note 3. Bank Deposits

For reporting purposes, cash and cash equivalents include cash and certificates of deposit. The District may invest in United States bonds, treasury notes, or certificates of deposit of state banks having their office in the State of Louisiana, or any other federally insured investment. The District may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The deposits at October 31, 2000, were as follows:

	<u>Bank Balance</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Demand deposits	\$ 113,954	\$ (100,489)	\$ 13,465
Securities pledged and held by the custodial bank in the bank's name (Category III)			(483,594)
Excess of FDIC insurance plus pledged securities over deposits in financial institutions			\$ 470,129

Note 4. Restricted assets

Restricted assets are for the telemedicine evaluation activities with the Telemedicine Research Center for the September 1, 1994 grant.

Note 5. Other receivables

A summary of other receivables is as follows:

Due from independent management company	\$ 328,295
Due from Federal agency	61,819
Allowance for receivable from Federal agency	(61,819)
Total other receivables	\$ 328,295

Note 6. Property, Plant, and Equipment

A summary of property, plant, and equipment is as follows:

	<u>Cost</u>
Ambulances	\$ 273,062
Equipment	2,480,917
Building	2,706,485
Land (plant)	20,437
Land improvements	12,990
Construction in progress (telemed equipment)	168,872
Gross property, plant, and equipment	\$5,662,763
Less: accumulated depreciation	(3,531,749)
Net property, plant, and equipment	\$2,131,014

Depreciation expense for the year ended October 31, 2000, amounted to \$266,634.

NOTES TO FINANCIAL STATEMENTS

Note 7. Ad Valorem Taxes

The District's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year at which time the District records the tax revenue, and become a lien in the following March. The collection period for the District's property taxes is from December (at which time they become delinquent) to the succeeding May.

Note 8. Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at October 31, 2000, was as follows:

Medicare	33.1%
Medicaid	14.9%
Other third-party payors/patients	<u>52.0%</u>
	<u>100.0%</u>

Note 9. Long-Term Debt

A summary of long-term debt at October 31, 2000 follows:

Notes payable, due January 10, 2004, with an interest rate of 5.25%, paid annually	<u>\$223,766</u>
Total long-term debt	\$223,766
Less: current maturities of long-term debt	<u>51,723</u>
Long-term debt net of current maturities	\$172,043

Scheduled principal repayments of long-term debt for the next five years are as follows:

<u>Year Ending</u> <u>October 31,</u>	<u>Long-Term</u> <u>Debt Obligations</u>
2001	\$ 51,723
2002	54,438
2003	57,297
2004	<u>60,308</u>
Total	<u>\$223,766</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Operating Leases

The District entered into a five (5) year lease for the Calcasieu Oaks facility on November 1, 1995 with a monthly rental of \$36,500. Effective July 1, 2000, the District renegotiated the above lease, and entered into a five (5) year lease with a monthly rental of \$21,943.75. Effective September 28, 2000, this lease was assumed by the independent management company under the lease agreement between the District and the independent management company. Rental expense for the year ended October 31, 2000, for this lease totaled \$357,831.

The District leases other various equipment under operating leases expiring at various dates. Effective September 28, 2000, these leases were also assumed by the independent management company under the lease agreement between the District and the independent management company. Total rental expense in 2000 for these operating leases was approximately \$33,661.

Note 11. Telemedicine Grant

On February 19, 1998, the District entered into an agreement with the United States of America, acting through the administrator of the Rural Utilities Service ("RUS") for a telemedicine grant. The grant shall be used to provide telemedicine services in several parishes in Louisiana, with the District being the applicant for the consortium of members of the project. The grant will expire in February 2001.

The total amount of the grant is \$299,200. The District and consortium of members must provide a matching contribution of \$221,204. Under the agreement, no portion of the grant shall be delivered until matching contributions are shown to be satisfactory to RUS. As of October 31, 2000, the District did not receive any portion of the grant due to a lack in matching contributions. The District and consortium of members did however, have possession of the telemedicine equipment as of October 31, 2000. This equipment is reported in the financial statements as construction-in-progress with an offsetting account payable.

Management plans in future periods to provide matching funds by the consortium of members in order to receive the grant funds.

Note 12. Third-party Settlements

The following is a schedule of third-party payor settlement payable/(receivable) as of October 31, 2000:

<u>Cost Report Year</u>	<u>Medicare</u>	<u>Medicaid</u>	<u>Total</u>
1995	\$ -	\$ 2,641,882	\$ 2,641,882
1996	-	(4,528)	(4,528)
1997	2,235,857	441	2,236,298
1998	4,478,622	92,996	4,571,618
1999	275,322	2,772	278,094
2000	315,000	-	315,000
Totals	<u>\$ 7,304,801</u>	<u>\$ 2,733,563</u>	<u>\$10,038,364</u>

The October 31, 2000, annual Medicare and Medicaid cost report has not been completed in order to determine the settlement for fiscal year 2000 to the intermediary. Management has estimated that the settlement on the October 31, 2000, cost report will approximate an overpayment of \$315,000, which is included as a liability on the financial statements. The settlement for fiscal year 2000 will be determinable when the annual Medicare and Medicaid cost report is completed.

NOTES TO FINANCIAL STATEMENTS

Note 13. Contractual management and lease agreement

Management agreement:

On February 18, 2000, the District entered an agreement with an independent management company in which the independent management company would provide interim management services for day-to-day operations of the hospital and operational funding to the District to ensure that operations cash flow from February 18, 2000, until the District could obtain bankruptcy court, voter and necessary governmental approval of a lease agreement and assignment agreement for the District's facilities. Under this agreement, the independent management company assumed post bankruptcy liabilities, other than those stated in the lease agreement as the responsibility of the District.

Lease agreement:

On September 28, 2000, after all necessary approvals were granted, the District entered into a lease agreement with an independent management company. Under this lease agreement, the independent management company assumed all hospital operations and assumed various contractual liabilities of the District. The independent management company also agreed to pay the District \$15,000, per month as a rental payment for the District's building and equipment.

Note 14. Extraordinary item

Lease agreement:

On September 28, 2000, the District entered into a lease agreement with an independent management company, in which this company leased the hospital operations and assumed various assets and liabilities of the District. The components of these assets and liabilities is as follows:

Inventory	\$ (129,219)
Lease obligations	7,920
Excess accounts payable	37,228
Uncompensated absences	<u>37,753</u>
Total	<u>\$ (46,318)</u>

Bankruptcy:

Due to the District filing for bankruptcy, certain accounts payable dealing with the bankruptcy were adjusted.

The total of this adjustment is as follows:

Accounts payable	<u>\$ 55,157</u>
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NOTES TO FINANCIAL STATEMENTS

Note 15. Going Concern

The District has incurred substantial losses from operations and third-party payor settlements, which have resulted in its liabilities being substantially in excess of its assets causing a deficit fund balance. On November 18, 1999, the District filed for voluntary relief under Chapter 9 bankruptcy proceedings in the United States District Court for the Western District of Louisiana. Listed as creditors are the United States Department of Health and Human Services, Health Care Financing Administration, and the Louisiana Department of Health and Hospitals, as well as other unsecured creditors. The bankruptcy plan and the lease of hospital operations to an independent company was confirmed by the bankruptcy court on September 28, 2000. Management believes that relief from Chapter 9 bankruptcy and the leasing of hospital operations to an independent management company will be sufficient to continue operations. The component unit financial statements do not include any adjustments that might result from the outcome of this uncertainty.



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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

Our audit was made for the purpose of forming an opinion on the basic component unit financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis of the component unit financial statements rather than to present the financial position, results of operations, and cash flows of the District. The supplementary information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion is fairly stated in all material respects, in relation to the component unit financial statements taken as a whole.

Broussard, Poche, Lewis, Breaux L.L.P.

Crowley, Louisiana
February 27, 2001

* A Professional Accounting Corporation.

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LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF PATIENT SERVICE REVENUE
Year Ended October 31, 2000

Gross patient direct services		\$ 6,853,007
Less:		
Contractual adjustments	\$ (2,100,730)	
Administrative adjustments	<u>(402,828)</u>	<u>(2,503,558)</u>
Net patient services		<u>\$ 4,349,449</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF OTHER OPERATING REVENUE
Year Ended October 31, 2000

Medical records	\$ 2,164
Cafeteria	4,464
Oil lease revenue	17,328
Vending machine commissions	2,134
Other	<u>47,956</u>
Total other operating revenue	<u>\$ 74,046</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF OPERATING REVENUE AND EXPENSES
Year Ended October 31, 2000

Direct operating revenue		\$ 6,853,007
Direct operating expenses		<u>3,665,538</u>
		\$ 3,187,469
Contractual allowances and administrative adjustments		<u>(2,503,558)</u>
		\$ 683,911
General and operating expenses:		
General services	\$ (471,079)	
Fiscal and administrative	<u>(1,225,409)</u>	(1,696,488)
Other operating revenues:		
Ad valorem tax revenue	\$ 1,060,547	
Other operating revenue	<u>74,046</u>	1,134,593
Other operating expenses:		
Interest	\$ (169,799)	
Depreciation and amortization	(266,634)	
Provision for uncollectible accounts	<u>(690,489)</u>	(1,126,922)
Deficiency of operating revenues over operating expenses before extraordinary item		<u>\$ (1,004,906)</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF DEPARTMENTAL
DIRECT AND GENERAL OPERATING EXPENSES
Year Ended October 31, 2000

	Salaries and FICA	Contract Services	Professional Fees	Other Expenses	Total
Direct services:					
Daily patient services	\$ 467,165	\$ 5,222	\$ -	\$ 31,383	\$ 503,770
Daily patient services - Calcasieu Oaks	314,333	255,446	169	418,808	988,756
Ambulance District No. 1	230,229	670	-	19,309	250,208
Ambulance District No. 2	400,358	-	-	14,756	415,114
Central supply	-	-	-	1,109	1,109
Electrocardiology	-	-	-	237	237
Emergency room	52,061	-	433,361	13,034	498,456
Home Health	31,573	-	-	2,464	34,037
Laboratory	82,681	31,187	1,354	95,989	211,211
Laboratory - Calcasieu Oaks	-	10,724	-	-	10,724
Mental health tech - Calcasieu Oaks	165,067	-	-	-	165,067
Occupational therapy - Calcasieu Oaks	19,838	160	-	220	20,218
Pharmacy	-	730	35	95,396	96,161
Physical therapy	16,772	4,729	-	218	21,719
Physcial therapy - Calcasieu Oaks	6,218	-	-	-	6,218
Respiratory therapy	-	-	-	18,916	18,916
Cameron Rural Health Clinic	124,989	-	2,500	18,683	146,172
Grand Lake Rural Health Clinic	1,446	141	-	1,378	2,965
Social services	104,304	-	-	-	104,304
Telemedicine	6,998	-	-	864	7,862
Radiology	<u>77,631</u>	<u>11,175</u>	<u>49,500</u>	<u>24,008</u>	<u>162,314</u>
Total direct services	<u>\$ 2,101,663</u>	<u>\$ 320,184</u>	<u>\$ 486,919</u>	<u>\$ 756,772</u>	<u>\$ 3,665,538</u>
General services:					
Dietary	\$ 89,433	\$ 1,669	\$ -	\$ 141,338	\$ 232,440
Maintenance	86,811	13,196	2,500	6,386	108,893
Housekeeping	86,644	-	-	28,912	115,556
Material management	<u>14,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,190</u>
Total general services	<u>\$ 277,078</u>	<u>\$ 14,865</u>	<u>\$ 2,500</u>	<u>\$ 176,636</u>	<u>\$ 471,079</u>
Fiscal and administrative services:					
Administrative	\$ 38,657	\$ 129,409	\$ 5,000	\$ 17,312	\$ 190,378
Business office	79,838	6,844	-	47,566	134,248
Clerical - Calcasieu Oaks	6,788	-	-	-	6,788
Medical records	22,506	6,511	-	1,624	30,641
Legal and auditing	-	-	-	216,533	216,533
Utilities	-	-	-	45,360	45,360
Telephone	-	-	-	63,956	63,956
Professional and general insurance	-	-	-	258,579	258,579
Other general and administrative expenses	4,028	-	-	30,614	34,642
Employee benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,284</u>	<u>244,284</u>
Total fiscal and administrative services	<u>\$ 151,817</u>	<u>\$ 142,764</u>	<u>\$ 5,000</u>	<u>\$ 925,828</u>	<u>\$ 1,225,409</u>
Total direct and general operating expenses	<u>\$ 2,530,558</u>	<u>\$ 477,813</u>	<u>\$ 494,419</u>	<u>\$ 1,859,236</u>	<u>\$ 5,362,026</u>

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF BOARD FEES
Year Ended October 31, 2000

Board Members

The Hospital's board members did not receive any compensation during the year ending October 31, 2000.

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BROUSSARD, POCHE', LEWIS & BREAUX, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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J. Charles Abshire, CPA*

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Stephen L. Lambousy, CPA*

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Peter C. Borrello, CPA*

George J. Trappey III, CPA*

Gregory B. Milton, CPA*

S. Scott Soileau, CPA*

Patrick D. McCarthy, CPA*

Matthew B. Wyatt, CPA*

Troy J. Breaux, CPA*

Fayette T. Dupre', CPA*

Mary A. Castille, CPA*

Retired:

Sidney L. Broussard, CPA 1980

Leon K. Poche', CPA 1984

James H. Breaux, CPA 1987

Erna R. Walton, CPA 1988

George A. Lewis, CPA* 1992

Geraldine J. Wimberley, CPA* 1995

Rodney L. Savoy, CPA* 1996

Larry G. Broussard, CPA* 1996

Lawrence A. Cramer, CPA* 1999

Michael P. Crochet, CPA* 1999

Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital
Creole, Louisiana

We have audited the component unit financial statements of the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of and for the year ended October 31, 2000, and have issued our report thereon dated February 27, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's component unit financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item #2000-3.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting.

To the Board of Commissioners
Lower Cameron Hospital Service District
d/b/a South Cameron Memorial Hospital

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items #2000-1 and 2000-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe items #2000-1 and 2000-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

This report is intended solely for the information and use of management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Broussard, Poché, Lewis & Broussard L.L.P.

Crowley, Louisiana
February 27, 2001

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended October 31, 2000

We have audited the component unit financial statements of Lower Cameron Hospital Service District d/b/a South Cameron Memorial Hospital as of and for the year ended October 31, 2000, and have issued our report thereon dated February 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the component unit financial statements as of October 31, 2000, resulted in an unqualified opinion.

Section I. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☒ Yes ☐ No Reportable Conditions ☒ Yes ☐ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

The District does not have any Federal awards.

Section II. Financial Statement Findings

#2000-1 Account Receivable Bad Debt Write-offs

Finding: During the course of our audit, we noted that bad debt write-offs of accounts receivable were not being approved by management.

Recommendation: We recommend that bad debt write-offs of accounts receivable balances be approved by management to ensure adequate internal controls over accounts receivable.

Response: Procedures will be implemented in order for any bad debts written off to be approved by management.

#2000-2 Healthcare Compliance Program

Finding: A compliance program as recommended by the Office of Inspector General, that includes the seven minimum elements that are included in the Office of the Inspector General's (OIG) model compliance program was not completely in place.

Recommendation: Development of an effective compliance program as recommended by the OIG, which includes the seven minimum elements that are included in the Office of the Inspector General model compliance program.

Response: Effective September 28, 2000, the District has leased the Hospital operations to an outside company. The District is no longer responsible for the hospital operations and therefore, not responsible for a healthcare compliance program.

(Continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended October 31, 2000

Section II. Financial Statement Findings (continued)

#2000-3 Report Filing

Finding: The financial report for the year ended October 31, 2000, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: We recommend that every effort be made to assure that the information needed for the timely completion of the audit is available.

Response: Management of the District will provide information within a timely period in order to complete future audits within six months after year-end as required by law. In the current year, delays were encountered with the bankruptcy and lease of the hospital operations. These delays should not be encountered in the future.

Section III. Internal Control and Compliance Material to the Federal Awards

This year's report does not include any federal awards.

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended October 31, 2000

Section 1. Internal Control and Compliance Material to the Financial Statements

#1999-1 Accounts Payable

Finding: During the course of our audit, we discovered that there were inadequate internal controls over accounts payable to include but not limited to:

1. Some vendor accounts were not handled through the District accounts payable computer system.
2. Invoices were not entered into the District's the accounts payable computer system in a timely manner and/or expense was not coded in the correct accounting period.
3. There is no control accounts payable aging listing for the District.

Recommendation: Development and implementation of internal controls over accounts payable to include, but not limited to, the above items.

Current Status: RESOLVED – Internal controls over accounts payable have been implemented to include the above items as well as others as deemed appropriate.

#1999-2 Therapy Receivables

Finding: During the course of our audit, it was noted that there were inadequate safeguard and internal control over the accounts receivable associated with the outpatient therapy services contract. The District did not have a control ledger showing the patients' individual amounts billed, collected, and receivable balances on the outpatient therapy service patients.

Recommendation: To maintain a control ledger of the outpatient therapy service patients in order to safeguard and control the accounts receivable associated with this service.

Current status: RESOLVED - This service was discontinued in May 1999.

#1999-3 Account Receivable Sale and Servicing Agreement

Finding: During the course of our audit, we noted that there were inadequate internal controls over the account receivable sale and servicing agreement with Medcap Credit Co. There was no reconciliation process being done on the clearing account with Medcap Credit Co. to ensure the reports and general ledger were accurate.

Recommendation: We recommend that a reconciliation of the clearing account be done on an interim basis to verify the accuracy of the general ledger.

Current status: RESOLVED - The account receivable sale and servicing transactions were discontinued in fiscal year 1999.

(continued)

LOWER CAMERON HOSPITAL SERVICE DISTRICT
D/B/A SOUTH CAMERON MEMORIAL HOSPITAL

SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
Year Ended October 31, 2000

Section I. Internal Control and Compliance Material to the Financial Statements (continued)

#1999-4 Account Receivable Discounts

Finding: During the course of our audit, we noted that certain patient type discounts to the accounts receivable were not being approved by management.

Recommendation: We recommend that discounts and write-offs of accounts receivable balances be approved by management to ensure adequate internal control over accounts receivable.

Current status: PARTIALLY RESOLVED - Procedures were implemented in order for discounts and write-offs of accounts receivable to be approved by management; however, management approval of bad debt write-offs has not been implemented. This finding is also included in the audit report for the year ended October, 31, 2000, and is described at 2000-1.

#1999-5 Healthcare Compliance Program

Finding: An effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state and private health plans is not in place.

Recommendation: Development of an effective compliance program as recommended by the Office of Inspector General, that has internal controls to promote adherence to applicable federal and state law, and the program requirements of federal, state, and private health plans.

Current status: UNRESOLVED - This finding is also included in the audit report for the year ended October 31, 2000, and is described at 2000-2. However, effective September 28, 2000, the District leased the hospital operations to an outside company and therefore is not responsible for hospital operation and a healthcare compliance program.

#1999-6 Report Filing

Finding: The financial report for the year ended October 31, 1999, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: Management will make every effort be made to assure that the information needed for the timely completion of the audit is available.

Current status: UNRESOLVED - This finding is also included in the audit report for the year ended October 31, 2000, and is described at #2000-3. During the year ended October 31, 2000, delays were encountered with the bankruptcy and lease of the Hospital operations. These delays should not be encountered in the future.

Section II. Internal Control and Compliance Material to the Federal Awards

The prior year's report did not include any federal awards.

Section III. Management Letter

There was no matters reported in a separate management letter for the year ended October 31, 1999.

**SOUTH CAMERON
MEMORIAL HOSPITAL**

**Rock Bordelon
Chief Executive Officer**

5360 West Creole Hwy □ Cameron, LA. 70631 □ Telephone (337)542-4111 □ Fax (337) 542-4692

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended October 31, 2000

Section I: Internal Control and Compliance Material to the Financial Statements

#2000-1 Account Receivable Bad Debt Write-offs

Finding: During the course of our audit, we noted that bad debt write-offs of accounts receivable were not being approved by management.

Recommendation: We recommend that bad debt write-offs of accounts receivable balances be approved by management to ensure adequate internal controls over accounts receivable.

Response: Procedures will be implemented in order for any bad debts written off to be approved by management.

Responsible party: Brenda Boudreaux, Office Manager

#2000-2 Healthcare Compliance Program

Finding: A compliance program as recommended by the Office of Inspector General, that includes the seven minimum elements that are included in the Office of the Inspector General's (OIG) model compliance program was not completely in place.

Recommendation: Development of an effective compliance program as recommended by the OIG, which includes the seven minimum elements that are included in the Office of the Inspector General model compliance program.

Response: Effective September 28, 2000, the District has leased the Hospital operations to an outside company. The District is no longer responsible for the hospital operations and therefore, not responsible for a healthcare compliance program.

Responsible party: Carolyn Bargeman, Compliance Officer

#2000-3 Report Filing

Finding: The financial report for the year ended October 31, 2000, was not filed with the Legislative Auditor's office within six months after the close of the fiscal year as required by law.

Recommendation: We recommend that every effort be made to assure that the information needed for the timely completion of the audit is available.

Response: Management of the District will provide information within a timely period in order to complete future audits within six months after year-end as required by law. In the current year, delays were encountered with the bankruptcy and lease of the hospital operations. These delays should not be encountered in the future.

Responsible party: Brenda Boudreaux, Office Manager